

TOP SECRET

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17 September 1954

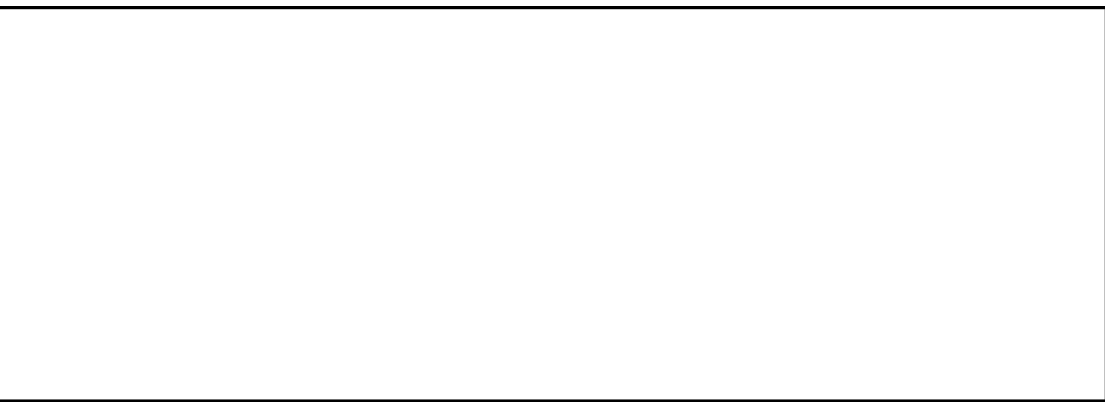
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FAR EAST

1. Chinese to permit neutral surveillance of troop withdrawal from Korea:

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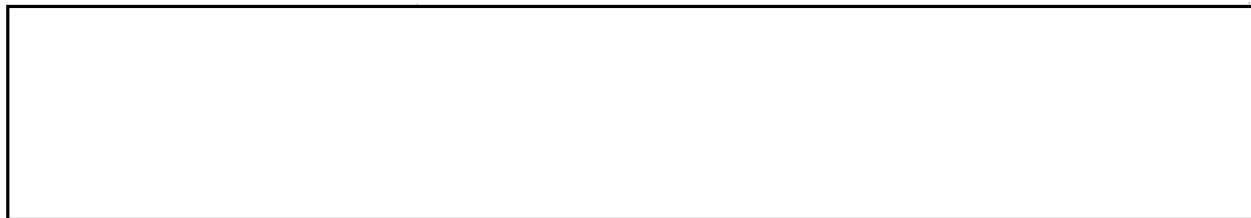
The Neutral Nations Inspection Team at Sinanju, North Korea, reported on 16 September that it had received official notification that seven Chinese

Communist divisions would leave Korea starting next week. The movement, under surveillance of the NNIT, will consist of ten trains daily, each composed of from 20 to 24 cars.

Comment: Peiping's public announcement on 5 September of its intention to withdraw these divisions was a departure from its usual practice, and undoubtedly was intended to counteract the announcement of UN withdrawals. At the time of the announcement, it was not clear whether the Chinese intended to withdraw troops in addition to those which had previously returned to China unannounced.

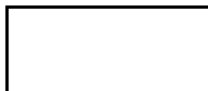
By permitting NNIT surveillance for the first time, the Communists are attempting to strengthen their case in the UN General Assembly against expected moves to terminate the mission of the teams. If these divisions are infantry units, their withdrawal would reduce Chinese strength in Korea from 709,000 to about 604,000.

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2. Comment on reported Japan-Burma reparations accord:

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A Japanese news agency reports that Japan and Burma reached an agreement in principle on 15 September whereby Japan will pay \$200,000,000 in direct reparations to Burma over a ten-year period, plus an additional \$50,000,000 in "economic co-operation"--for example,

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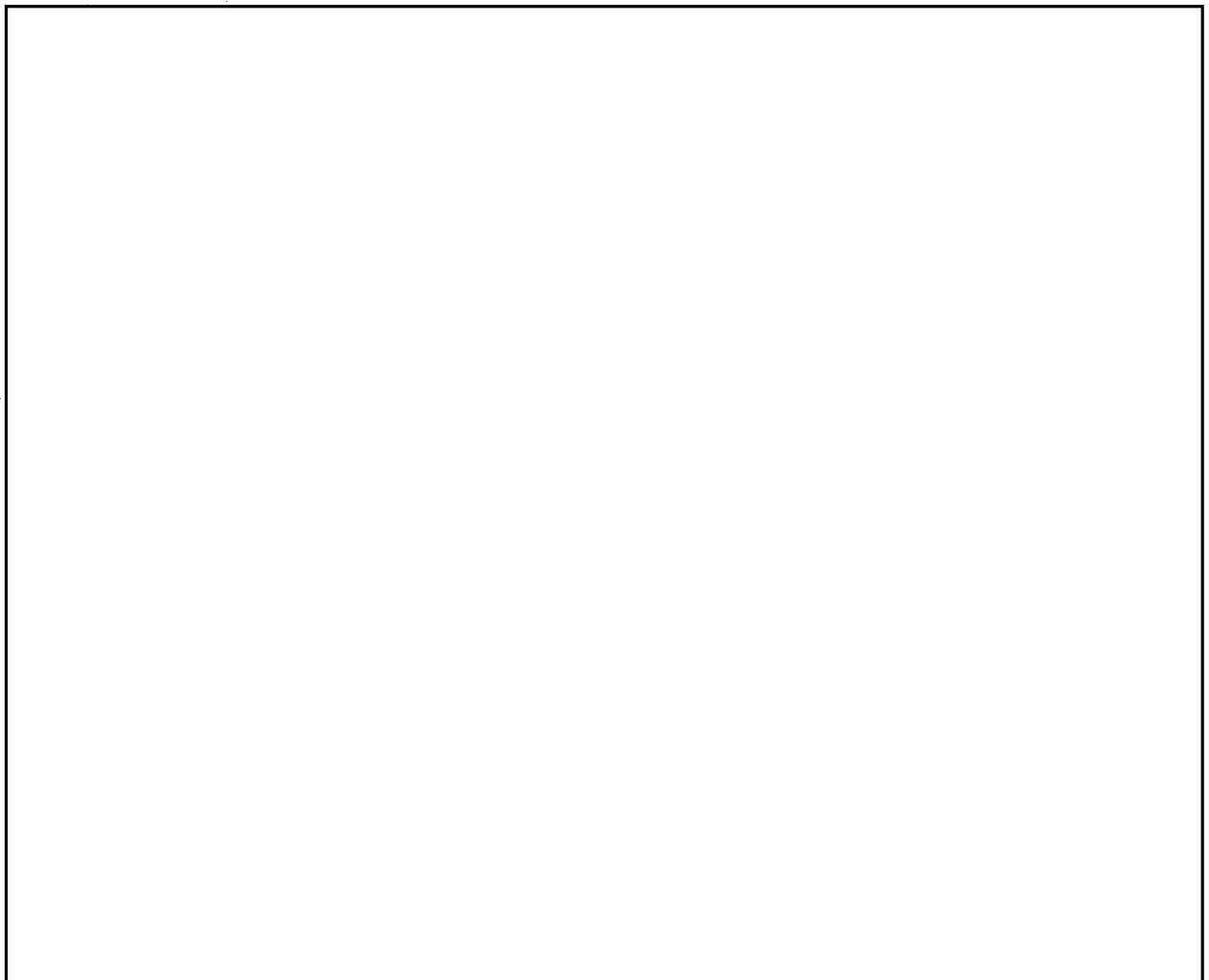
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services. Acceptance of the agreement by the Burmese negotiator, U Kyaw Nyein, who is a powerful figure in the Burmese government, should assure Burmese ratification, and it is unlikely to encounter serious opposition in the Japanese Diet. Negotiations for a bilateral peace treaty are expected to commence in the near future, following the conclusion of a formal reparations pact.

A settlement with Burma might well break the deadlock in Japan's efforts to conclude reparations agreements and peace treaties with the Philippines and Indonesia. The Japanese are probably now prepared to increase somewhat their offers to these two countries, especially since reparations settlements are a prerequisite to increased Japanese trade with Southeast Asia.

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EASTERN EUROPE

4. Comment on developments in East German army training:

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intensive efforts are being made this year to improve the combat capabilities of the East German army, which have hitherto been low. In late July and early August the East German army conducted tactical training of small units under conditions simulating enemy employment of atomic weapons.

As an indication of considerable improvement in East German military co-ordination, the first noted East German exercise to include air support was held on 6 August by an element of a mechanized division of Corps South, with the participation of eight aircraft of the East German air force, which is equipped with Soviet YAK-18 and YAK-11 trainers.

Other reports indicate a significant advance in the level of training. Two divisions of Corps North conducted separate exercises believed to be of division level between 16 and 23 August. East German field training is not believed to have advanced beyond battalion level in previous years.

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